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DIRECTORATE OF
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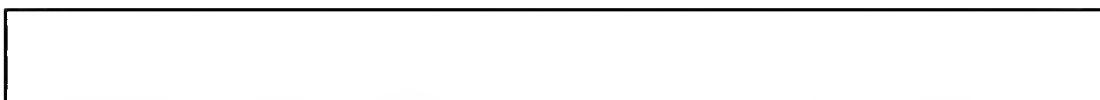
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South Vietnam: The uproar over "austerity" taxes seems to have produced an atmosphere conducive to protest of various kinds against the government.

About 200 Buddhist monks of Cambodian origin, most of whom live in the Mekong Delta, have organized a sit-in demonstration outside the presidential palace against the government's decision not to give ethnic Cambodians special rights as a minority.

The government has ordered the police to be alert for possible violence and for harsh public reaction to the austerity taxes.

The National Assembly is also reacting sharply to the tax decree. Following a three-day interpellation of Prime Minister Khiem and his economic ministers, the National Assembly's upper house has declared that it is "not satisfied" with the cabinet's performance, and that it is ready to vote on a resolution critical of the government's handling of the tax increases. At the urging of the upper house, the Supreme Court has agreed to render a decision on the constitutionality of the government's tax increase decree next week.

General Duong Van "Big" Minh, after appearing to back down, may have decided that the time was ripe for a renewal of his appeals to the population at large. On 13 November he restated his proposal that the government convene a national congress or conduct a national referendum to assess the Thieu regime. He probably believes that more popular policies would result, including a more concerted effort to end the war. Minh seems to be implying that the Thieu government might better step aside so that another, more popularly attuned successor, such as himself, can take over.

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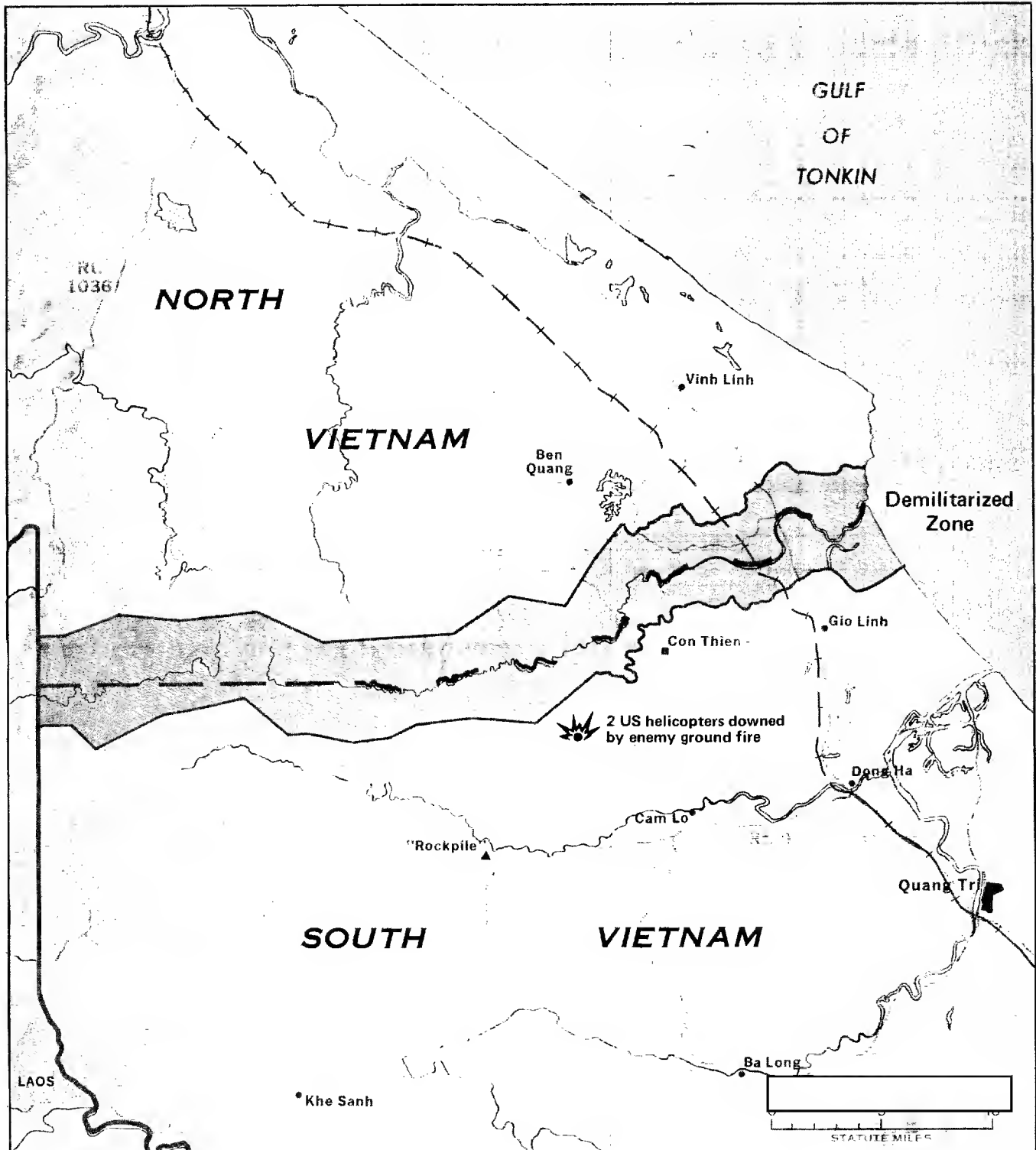
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DMZ Area: Two US Helicopters Downed



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Sharp ground fighting flared at opposite ends of the country on 12-13 November. A North Vietnamese battalion offered stiff resistance to US forces trying to reach the crash site of two helicopters downed by enemy ground fire just south of the Demilitarized Zone. Sixty-six Communist regulars were killed in this action, while US losses included 11 killed and 38 wounded. South Vietnamese forces, meanwhile, killed 100 Viet Cong during sweep operations near two northern coastal cities and another 55 in the southern Mekong Delta.

The anticipated upsurge in enemy attacks to mark the antiwar demonstrations in the US has thus far failed to materialize, but [redacted] [redacted] heightened activity could be forthcoming. [redacted] (Map) [redacted]

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Communist China - USSR: According to the Soviet commercial representative in China, trade talks under way in Moscow are expected to wind up soon.

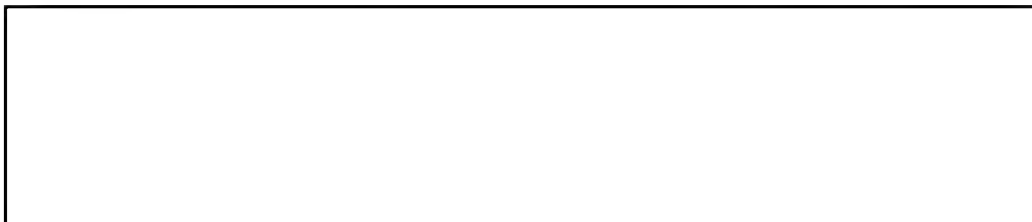
The Soviet official told [redacted] [redacted] that the Chinese are interested in increasing deliveries in 1970 of spare parts for previously supplied Soviet equipment. They also would like to purchase additional commercial transport aircraft. He expects that total trade in 1969 between the two countries will be even below last year's low level of about \$100 million.

An earlier French press article, quoting "informed Chinese sources," reported the arrival of a Chinese delegation in Moscow in early August to negotiate the 1970 trade agreement. Although the two countries have not signed a trade agreement since 1967, exchanges of Soviet industrial goods for Chinese agricultural and consumer goods have continued. The signing of a new trade pact probably would not result in a significant increase in trade. [redacted]

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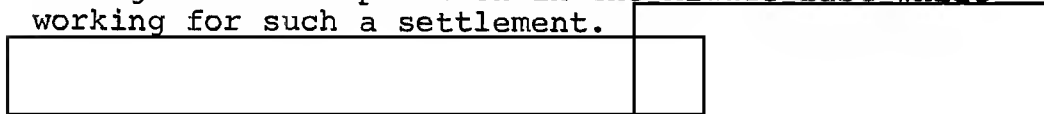
USSR - Middle East: The USSR may have decided to support guerrilla organizations formed by Arab Communist parties.



Moscow has evidently been swayed by pleas from the Arab Communists that their failure to be identified with guerrilla activity against Israel is proving politically costly. In addition, Moscow may hope that the Arab Communist parties, over which it has a measure of control, can become competitive with the fedayeen, over which it has none.



This new step does not necessarily indicate that Moscow's interest in a political settlement has faded. It does, however, provide further evidence that the Soviets intend to maintain and strengthen their position in the Middle East while working for such a settlement.



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European Communities: Recent developments in the EC have somewhat improved the outlook for negotiations on British accession.

The permanent representatives to the EC unanimously approved an interim report establishing conditions that Britain and the other candidates would have to meet. This is the first time that France has agreed to a statement of specific conditions for the opening of negotiations. Following discussion of the report, a Council spokesman said that the views of the members had come closer together on enlargement and that the meeting had been exceptionally useful.



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The most significant obstacle to setting a date for the opening of negotiations remains agreement on the agricultural financing issue, which the French insist must be achieved by the end of the year. Nevertheless there is a degree of optimism in the Communities that some arrangement will be concluded by the end of the year or shortly thereafter.



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Dahomey: Growing unrest and division in the military underscore the continuing fragile nature of the government.

President Emile Zinsou remains heavily dependent upon the army that installed him 16 months ago, but some officers seem to be increasingly restless. Much of the discontent focuses on Lt. Col. Kouandete, the ambitious and widely hated army chief of staff. [REDACTED]

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[REDACTED] Dissatisfaction in the army may also reflect concern over corruption in the government and the lack of professionalism in the armed forces.

Civilian discontent has been subdued during recent months, but little has been done to ameliorate the economic grievances that led to widespread strikes last spring. Students and workers remain potentially explosive forces that could be exploited by disaffected military elements.

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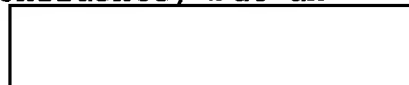
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Bahamas: The Pindling government is taking an increasingly nationalistic stand toward the foreign business community of Freeport.

In a recent policy statement Prime Minister Pindling said that "foreign interests" that enjoy tax and other economic privileges also have a concurrent responsibility to the Bahamians. Administration officials have also stated that the important Freeport business community, which is largely US and British owned, has abused the privileges granted it by failing to employ and train Bahamians.

In an effort to gain greater authority over Freeport, Deputy Prime Minister Arthur Hanna has rigidly restricted the issuance of work permits, thereby sharply reducing the flow of skilled immigrant labor that is vital to the Freeport businesses. Although the prime minister apparently is not ready to embark on any radical course of action, he will probably continue to insist on increasing government control in Freeport.

Pindling visited the US this week in an effort to bolster flagging investor confidence, but an early improvement appears dim.



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NOTES

Philippines: President Marcos is preparing to reduce the Philippine presence in Vietnam. He has called a meeting of concerned cabinet members to discuss a plan to withdraw most of the 1,500-man Philippine civic action team. Only a small medical contingent would be left in place. Marcos probably calculates that such a compromise arrangement would satisfy his congressional and press critics and boost his chances of getting favorable action on his legislative program. At the same time, he hopes that keeping even a small Philippine presence will give Manila a voice in future discussions on Vietnam. He may also hope to counter in advance the effects of a US congressional report that critically examines the US military commitment to the Philippines.

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UN-SALT: The Mexicans are planning to propose a number of resolutions during the disarmament debate scheduled to begin today in the General Assembly's political and security committee. One would have the Assembly call upon the US and the USSR to negotiate a moratorium on tests of new offensive and defensive nuclear weapons systems. The Mexican disarmament expert at the UN has long felt the superpowers have not been responsive to the interests of the non-nuclear countries in arms control areas. It is not yet clear whether the committee members would wish to influence the negotiations at Helsinki.

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